



INDIA GLYCOLS LIMITED

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5th August, 2024

The Manager (Listing)
BSE Limited
1st Floor, New Trading Ring,
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The Manager (Listing)
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (East), Mumbai- 400 051

Scrip Code: 500201

Symbol: INDIAGLYCO

Dear Sirs,

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 – Transcript of Q1FY25 Earnings Conference Call

Further to our letters dated 22nd and 31st July, 2024 and Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Earnings Conference Call for Q1FY25 held on Wednesday, 31st July, 2024 is attached.

The same is also being hosted on the Company's website at www.indiaglycols.com.

This is for your information and record.

Thanking you,

Yours truly,
For India Glycols Limited

Ankur Jain
Head (Legal) & Company Secretary
Encl: A/a



India Glycols Limited

**India Glycols Limited
Q1FY25 Earnings Conference Call
July 31, 2024**



India Glycols Limited

MANAGEMENT

MR. RUPARK SARSWAT - CHIEF EXECUTIVE OFFICER

MR. ANAND SINGHAL - CHIEF FINANCIAL OFFICER

MR. RAJESH MARWAHA - HEAD- SALES AND MARKETING (BSPC)

MR. S.K. SHUKLA – HEAD - LIQUOR BUSINESS

MR. ANKUR JAIN - HEAD (LEGAL) AND COMPANY SECRETARY

ANALYST

MR. ROHIT SINHA – SUNIDHI SECURITIES LIMITED

Moderator

Good evening, ladies and gentlemen. I'm Pelsia, moderator for the conference call. Welcome to India Glycols Limited Q1FY25 Earnings Conference Call hosted by Sunidhi Securities. As a reminder, all participants will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * and 0 on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand over the floor to Rohit Sinha from Sunidhi Securities. Thank you, and over to you, sir.

Rohit Sinha

Good evening, everyone. Thank you for joining us on India Glycols Limited Q1FY25 results conference call. I would like to thank the management for giving us this opportunity to host the call and congratulate them for a good set of numbers. We are joined on this call with India Glycols Management, represented by Mr. Rupark Sarswat, Chief Executive Officer; Mr. Anand Singhal, Chief Financial Officer; Mr. Rajesh Marwaha, Head- Sales and Marketing (BSPC); Mr. S. K. Shukla, Head - Liquor Business and Mr. Ankur Jain, Head Legal and Company Secretary. I would like to invite Mr. Rupark Sarswat to initiate this proceeding with his opening remarks, post which we will have a Q&A session. Thank you, and over to you, sir.

Rupark Sarswat

So, a very good afternoon to everybody who has joined, and thank you for joining us. I, along with my colleagues, will give you a quick snapshot of how the quarter has been, and then we will take some questions. So, I'll take you through financial highlights, a quick review of the segments and a quick view of the financial results. So as you may have had an opportunity to look at, we've had a good quarter, I can say, especially I know over the last couple of years or probably more than that, we have been through a bit of a tight situation on the India Glycols front for all the reasons that we have discussed with you and several questions that we have answered. But it appears that broadly in terms of the strategy of the company, it has kind of worked for us, and it is also reflecting in the performance for the quarter as it also did in their performance for the last year.

So, if you look at our Gross Revenue is up to INR 2,283 crores in the quarter, which is up 21%. On the Net Revenue front, which is net of excise, we clocked a Revenue of INR 969 crores, which is up 41% and also, our EBITDA is up to INR 128 crores, which is up 21%, and our PAT is also up by 18%. So overall, I think a satisfying and a good growth quarter from our perspective. And if you look at most ratios, they have moved in the right direction. Now, there are several things we will talk about. I think I would highlight here that one of the things which has driven our top line as well as addition to the bottom line is the emerging biofuels business. And having said that, I think even in the chemicals space as well as potable spirits segment, we've seen good growth in top line as well as bottom line.

Now you remember we have had several discussions where we have briefed you that our strategy to get into grain-based ethanol was kind of also expedited by the fact that imported ethanol prices were very high, it was something that happened after many years of stability. So that helped us to mitigate the prices, but it also provides us the opportunity to cater to the blending market that we are serving right now. And more importantly, the imported ethanol price has softened and therefore, all the grain-based ethanol that we're producing, we were able to channelize into the biofuels space. And I will talk about what's happening in the biofuel and ethanol space whilst many of you may be quite aware of it anyways.

So, if I look at it again, one level below, our Net Revenue surged by 41% and, now what we've also done is that till last quarter, we were reporting ethanol sales into the power fuel blending sector as a part of chemicals. But considering that it has become significant by itself, it is now reported as a separate segment. So, you see that our Chemicals business and basically specialties and performance chemicals business is 17% up YoY in terms of top line. And the biofuels business on a YoY has improved from INR 65 crores to INR 139 crores, which contributes significantly. And the Potable spirits business has also done very well to grow by 19.1% YoY. Our Ennature Biopharma business has also seen a modest, relatively speaking, the modest top line growth of 8%.

And that is, therefore, also reflected in an EBITDA increase by 21.3% and an EBITDA margin, which is also better than the last few years, and you would see a steady trend at 13.2%. So, in terms of some of the things that we're talking about, we have over the last 2 - 2.5 years, talked about our intent to invest in new value-added chemicals starting from almost scratch from R&D pilot plant, commissioning in 1 plant. We are nearly full commissioning. And I think I can say that whilst it's a little early, I do know, Specialty Chemicals businesses take time to build working with customers through partnerships and development work, which is what makes them Specialty Chemicals. We've had a good start, and we are quite confident in terms of the foundation that we see has been built for the new value-added chemicals business.

And the other thing that we've talked about, our joint venture has also seen significant recovery in margins, which is the joint venture with Clariant, which had also been under cost pressure for some time. And now you see whilst the joint venture top line has seen nominal growth, but there has been quite a significant growth in terms of the gross margin, which is upwards of 35%. And a lot of it is on account of the improved cost position and Equinox side that we supply to them. So that's one thing. And Anand ji I will give a bit of the segmental commentary, but could you highlight financials?

Anand Singhal

Thank you, sir. Now, for the Q1 FY25 on consolidated basis, the gross revenue is INR 2,283 crores, which is up by 12% vis-à-vis last quarter and 21% vis-à-vis the Q1 FY24. In net, turnover, net revenue from operations is INR 969 crores vis-à-vis INR 926 crores in the last quarter, which is up by 5%. And Q1 FY24 was INR 689 crores up by 41%. PBT is INR 64.93, I would say INR 65 against INR 51 crores in the last quarter that ended on 31st March 2024 and Q1FY24 it was INR 58 crores. PAT is INR 60 crores against INR 42 crores in the last quarter and INR 51 crores in Q1FY24. For the current quarter on a consolidated basis, the EPS

is INR 19.5 vis-à-vis INR 13.6 in Q4 of last year and INR 16.5 in Q1FY24. So, this is about the consolidated results.

Rupark Sarswat

Thank you. Let me talk about our segments a little bit. So, if you look at our Chemical segment, for example, we have seen an EBIT margin of 9.9%, and which is up from INR 336 crores to INR 393 crores. And for our Potable Spirits business, the number that I talked about, we saw a growth from INR 235 crores to INR 280 crores, which is 19% up and with the EBIT margin of 17.5%. In the Biofuels segment, our EBIT margins, not only have we seen an increase in terms of our top line, which I mentioned, but also because of the improved structure of the cost, which is dependent on several things, which includes the cost of grain to us, the selling price of DDGS and the sale price of ethanol, the overall EBIT margin position for Biofuels has also improved from close to 5% to close to 8% now.

In general, top highlights in terms of the segmental performance, I talked about the numbers. We see that to some extent; our cost pressures have continued. But despite that, we have seen improvement both in top line as well as bottom line as well as percentage EBIT margins. And we continue to work on optimizing our costs, mainly by looking at how we can optimize our ethanol costs, energy costs as well as processing costs.

Whilst you know the numbers for Biofuels, since we've also separated it as a segment just now, I'll give you a quick update on what's happening in this space. So, if you know from 2014, where India hardly did any blending, in 2019-20, we moved about 5% blending against the target of 5%. In 2020-21, the government had a target of 10% and we moved about 8.7% blending. In 2022-23, the government had a target of 12%, and as a country we did a target of 12%. In 2023-24, there is a target of 15% blending, and the blending fee ratio was about 12.1%, but blending in May is 15.4%. So, in short, what I'm trying to say is that the blending program is on track, and we expect that the 2023-24 blending program will finish it with about 14% blending. Now we also have some assessment, I may not be precise here, in terms of the capacity that exists in the country for ethanol. And we see that the blending program will move up from 15% to 17% to 20%. And it will be fair to assume that even by 2025-26, even if we don't do 20%, hopefully we will do, it will be fair to look at the track record and say that we probably end up doing 18%-plus blending.

What this means is that if this level of blending has to happen, the country is still significantly short of ethanol capacity, which in some sense is a good news for the business that we don't see overcapacity happening over the next few years and considering that IGL has an advantage in terms of our cost structure, in terms of our brownfield site and also in terms of our synergies in ethanol, I think it is good from an IGL perspective. And also the government has supported its mandate by increasing the procurement price for ethanol, which can get close to INR 64 for damaged food grain-based ethanol, surplus rice-based FCI at 58.5. We see going forward an encouragement for people to also start using

maize and the supporting price for that ethanol is also good by the government at point in time is close to INR 71.86.

So that history, in general, I shared this data with you to highlight that it appears that the blending program is on track, and we are confident that this part of the business over the foreseeable future, will continue to remain an important driver for top line as well as bottom line for IGL as well as some other players who've made a head start in this business.

So far, the Potable Spirits performance, we've seen our revenue at INR 280 crores is up 19.1% and EBIT at INR 49 crores is up 14.2% with EBIT margin of 17.5%. Of course, we look at some of the questions later on, but sales have been driven mainly by increase in country liquor sales in Uttarakhand, and we continue to maintain our dominant positions, a big dominant position in Uttarakhand, but also a dominant position in the UP market. In terms of IMFL sales or Indian-Made Foreign Liquor sales, our sales have been driven with excellent growth in the UP market and also a relatively new area for us, which is our product approved in the paramilitary sales.

In Ennature Biopharma, which is a relatively smaller segment, which is plant-based extract and nutraceuticals, we've seen a healthy top line growth, but we've had because of a number of reasons, cost pressures particularly both on nicotine as well as Thiocolchicoside, which means that our margins have remained under pressure. However, we continue to look at one, greater penetration of the regulated markets of US and Europe that needs significant amount of work and we are in the process of working on that. And two, we continue to look at more value-added products in this area. So that is a quick snapshot of the quarter from my side, and I think Rohit, we can take questions and respond to the specifics.

Q&A

Moderator

Thank you, sir. First question comes from Balasubramanian from Arihant Capital. Please go ahead

Balasubramanian

Good evening, sir. Congratulations for good set of numbers. Sir, my first question is regarding this INR 1,160 crore allocation to oil companies. How much you're confident in achieving those allocation contract by this year? And secondly, in biofuel side, we can see 7.8% kind of margins. Can we see double-digit margins in coming quarters? These are my first questions.

Rupark Sarswat

In terms of the allocation, we've looked at the numbers and we have seen that they give an allocation and we've tracked our allocation number for what is known as Ethanol Supply Year, which starts in November.

And the tender allocation product for us starting with November 2023, we have seen that the actual orders that the oil companies placed have been only slightly lower than the allocations that they have given. And I don't have the exact numbers, but it has been 90-95% of the allocation that has been given. Our projection is that this kind of trend will continue. And whilst we may miss the allocation numbers slightly, by and large, the kind of numbers broadly that we have given to you, we should be able to meet. It does depend on, it's not a contract as such while it's an allocation that they give. There are many factors like logistics etc. based on the ability of the oil companies to be able to blend throughout the country. Sometimes the orders are a bit lower than allocation.

Now, from your perspective, I had mentioned to you, and I had given data for many years based on the target that the government had on percentage blending and the actuals that the country achieved. So, if you look at the last several years, more or less we've cracked the target. And our projection is that compared to a target of 15% blending, we will do 14% this year. So, I think by and large the blending story is intact.

Now as far as gross margin is concerned or the EBIT margin that you talked about 7.8%, I think it's very difficult for me to speculate whether this will become better because it is a function of several things. It is a function of grain prices, which have been tight. It is a function of what we are able to do in terms of DGCS sales. I think DGCS is as a source of protein, we are looking at newer ways of utilizing. It's not only are we looking at it, but the industry is looking at it. And it is also a function of the price that the government gives on procurement of ethanol.

I would imagine the right thing to assume would be that the government is committed for the blending program and because the government is significantly involved in regulating it, regulating it and controlling it in some way, they will keep it profitable, but it is not a business where suddenly if the demand is high and the supply is low, you can fetch a huge amount of price. So that's my overall take. Shukla ji would you like to add something?

S. K. Shukla

Yes. Because the government is continuously insisting to promote maize to increase the profitability of the industry and the farmer both. So, industry and associations are doing hard and we have already started our maize farming in our own catchment area of Gorakhpur and we are going to start from Kashipur. And we are expecting approximately 20-25% would be the self-placement area maize availability in 2025-2026. So certainly, we are focusing on the variety, which would increase the ethanol yield. And second, the catchment area in which we are focusing, we would like to ensure the back-to-back logistics, so that the entire approximately 70-80% maize which is grown by the farmer would be made available to our industry.

So, the state government is also assisting us. So, as far as raw material is concerned, in couple of years, we are very positive about the availability of the new maize crop, which is the most essential for those land where the water availability is a challenge in part of UP and in some part attached to our Kashipur

plant, where the irrigation is the problem. You know that the 40% less water is required of the maize crop. So, looking to all these scenario, the availability of maize for the industry would seem to be very comfortable in next 2-3 years.

Balasubramanian

Sir, this NSU plant is supposed to be complete in this quarter. Right now we are doing around 150 tonnes per month and post these completions, what kind of ramp up we can expect? What kind of additional revenue opportunities? And other CapEx plans also you can likely touch upon, like this grain-based distillery and bio-based ethanol CapEx progress. So, how much CapEx we spend in this quarter, Q1?

Rupark Sarswat

Yes, so, I'll take the question around new chemicals and I think Shukla ji and Anand Ji will take the question on CapEx on bio ethanol. So, look, as I mentioned to you, we've had a good start in terms of our projects. And if this business is different from, say, an ethanol business or a petrochemical business where you have a ready demand and you are able to then starting to cater to it. It involves working with partners to customize work on development projects. So that for us has been a good story and don't take this as a projection, but I think in the financial year we are targeting to do INR 150-200 crores kind of top line through new value-added products, which in my opinion, if we are able to do is a very good start.

Considering, keep this in context compared to some other specialty chemicals businesses or our own business, which was there, which after many, many years had reached levels of INR 600-700 crores. So in that context for a specialty chemical business to start making INR 100-200 crores in the kind of 1st year after commissioning is, I think, a very healthy time. But these are projects which are not only dependent on capacity, these are dependent on application knowhow, technology development. The pipeline is robust, and we are working on it.

Anand Singhal

Regarding the CapEx, which we are already in for the increase in the capacity in Kashipur from 400KL to 500KL, we hope that CapEx will be completed in Q3. And as far as the CapEx, which we have undertaken in Gorakhpur, from 110 to 290KL, I think that will also be completed in Q3.

S. K. Shukla

Sorry. We will be able to start both the plants adding the 50% of additional capacity from the new ethanol year, maybe November second half or first week of December, which would be adding our 50% additional capacity.

Anand Singhal

And with respect of the expenditure on the CapEx in Q1 FY25, we have spent around INR 60 crores on all the CapEx whatever is going on right now, and hopefully, will be capitalize once these are complete.

Moderator

Thank you, sir. I request the participants to restrict with 2 questions in the initial round and join back the queue for more questions. Next question comes from Imran Khan from Longbow India Capital. Please go ahead.

Imran Khan

Hi. Thanks for the opportunity and good afternoon. I am fairly new to the company, so my questions would be a little fundamental and maybe repetitive, so please excuse me for this. First question is on the Potable Spirits business. I wanted to understand what raw material do you use for this business to make ENA?

S. K. Shukla

So, 100% grain-based ENA we use, which may be the broken rice, which is unfit for the human consumption. And second, maize, so we are consuming both the feedstock for the making of Extra Neutral Alcohol.

Imran Khan

And sir, lately, where is the raw material basket tilting towards? Is it maize or it is still substantially broken rice?

S. K. Shukla

So maize in India, which is more popular for using and making the ethanol from the last 13 to 14 months, so maize is very new, so mostly we are using grain. I am talking about the Indian made foreign liquor. Indian made foreign liquor we make from grain-based ethanol, and country liquor we make from the both grain-based and the molasses base.

Imran Khan

Got it. And the second question is on the biofuel business. Sir, you reported EBIT margins for Q1 and Q1 for FY2524, but I was looking for the same margins for Q4 FY24, but I didn't find it. So can you please share that if it is possible?

Anand Singhal

Okay. We will share separately.

Imran Khan

Would it be similar or there would be a marginal difference compared to Q1?

Rupark Sarswat

We can share the numbers to you, but in fact, I had spoken about it earlier that our Biofuel margin has actually improved slightly. But we can give you the specifics, we have the numbers.

Imran Khan

Okay. Okay. I'll wait for that. Later you could...

Anand Singhal

For Q4 FY24, the EBIT margin was 7.9%, while in the current quarter it is 7.82%. So as CEO Sir is saying, it has improved.

Imran Khan

Right. So then in that case, you don't make biofuels from grain, is it? Because in Q4, I think the grain cost was very, very high and people had very -- margins were a little lower for almost all the people. You haven't seen that thing at all?

S. K. Shukla

No, no. We are making 100% ethanol from the grain-based and our margin would be operational efficiency and better sourcing. So all these things will be dependent on the making margin.

Rupark Sarswat

Just to add to that, I mentioned to you, I think the previous Bala had asked us a question or somebody had asked us a question, as to whether our margins in the biofuels business, we see getting into double-digits when I responded there, that is actually a function of many things. Grain price is one of the factors. There is also selling price of grain base, there are energy cost and conversion cost. And more importantly, there is a procurement price, which is decided by the government. So if you're seeing an improvement in

margin, it is on account of while grain have gone up, they've also come down a little bit. It is a function of a combined effect of these factors.

Imran Khan

Right. Completely understand. Just one last thing before I move to the queue. Can you call out the average grain cost for Q1 and Q4, if it is possible?

Rupark Sarswat

So, you want separate numbers, or you want what is it running right now?

Imran Khan

If you would be able to share for rice and maize separately, that would be very helpful, yes.

Rupark Sarswat

I suggest you just, you know, drop us an email, we will share these numbers with you. You want for previous year and this year and so on.

Imran Khan

Not previous year, maybe last quarter and Q4 only, just 2 quarters.

Rupark Sarswat

We will share with you.

Moderator

Thank you. Next question comes from Ranbir Singh from Nuvama. Please go ahead.

Ranbir Singh

Thank you. Thank you for taking my question. And congratulations to the board members for this quarter. Two questions I have, one, related to industry dynamics around ethanol. Just wanted to understand that how much ethanol is required to meet up 20% blending? And of that, how much has already been supplied? So what I see in news that roughly 401 crore liter has been supplied and that constitutes 15.9% against targeted 20%, so they have reached 15.9% in June. So that translates into some 500-550 crores

liters required for 20% blending. So I think somewhere my calculation seems wrong. So just I wanted to understand how much liters actually government need to meet the 20% blending?

Rupark Sarswat

So I will respond to this in terms of our assessment. I don't have some authentic source to quote you that this is the exact number. But our assessment based on percentages, and I think some sources which my colleagues would have looked at is that the total demand for ethanol has risen at 5% blending, obviously the consumption also increases also, so 5% is also increased number. From something like 173 crore liters in 2019-20 to expected 725 crores liters in 2023-24, which is at 14-15% blending. Now this number is expected to go up to broadly 1,000 crore liters in 2024-25, and in my assessment, if you do 18% blending rather than 20% blending to about 1,100 crore liters and you can proportionately increase if the blending goes up to 21%.

Ranbir Singh

Okay. So roughly ballpark, I think 1,100 crore liter would be required.

Rupark Sarswat

1,100-1,200 crore liters.

Ranbir Singh

Okay. And because our capacity is in KLPD, so what would be the annual capacity if you convert into liters? So how much liters that translate into if we have the expanded capacity, it would be roughly 1,000 KLPD, 1,095 KLPD. So, how does it translate on an annual basis?

S. K. Shukla

So, basically, we'll be able to supply in the next ethanol year, which starts from November or December, 25-26 crores liter.

Ranbir Singh

Okay. Sir, normally we multiply because in case of molasses or sugar year, normally one season, half of the season, normally, we take for calculating this annual capacity. So, in grain also we calculate the same way? Or for grain, it is that whole year we normally process to produce ethanol?

S. K. Shukla

Correct. Your question is very correct. See, sugar season start from November and ends by April or lately by May in a few cases. But grain distillery would run around 350 days in a year. And sugar mills, whatever they will store the molasses at the last working days, they again can be utilized in 3-4 months maximum depending upon their storage capacity of molasses. So, you can say sugar based on an average they are running around 260-270 days and grain based roughly 340-350 days.

Ranbir Singh

Okay, fine. And the last one, in Potable Spirit, how much cases we have sold in this quarter for IMFL and Country liquor?

Anand Singhal

Okay. What I will do, you send me the mail I will give you these figures, because right now we are not having the ready data. Okay?

Ranbir Singh

Okay. No issue.

Moderator

Thank you, sir. Next question comes from Saket Kapoor from Kapoor and Co. Please go ahead.

Saket Kapoor

Namaskar to everyone and thank you for this opportunity. Sir, when we look at the current quarter's performance, the finance cost is still hovering at around INR 35 crores plus. That means on competitive basis wherever we compare within QoQ or last year, this number is rising unabated. So if you could give us some color on what's our strategy in lowering our finance cost? That would suffice my first question.

Anand Singhal

Saket, finance cost has gone up only because of the reason that all term loans are continuing. Plus, whatever Capex we have done that has been funded by almost term loan. Apart from this, the overall rate of interest has gone up because every bank now is giving a very good deposit rate. So, MCLR of all the banks has gone up. So that is hurting us and of course we are planning to reduce the finance cost, but in this year, we are not hopeful for drastic reduction of the finance cost. Maybe from the next year onwards, maybe FY25-26, yes, the finance cost will start coming down.

Saket Kapoor

Okay. And that will happen, sir, only when this capacity for both our distillery and biofuels kicks in, and that will lead to improved margins and cash flows. And that will be when the repayment start, that should be the cycle you are referring to?

Anand Singhal

That is true but the finance cost only because we have almost done the INR 1,000 crores CapEx . So, INR 1,000 crore if we have taken INR 500-600 crore loan, which is ultimately capitalized. But we will still have to pay interest, right?

Saket Kapoor

Correct, sir. And sir, what is the current maturity for this year?

Anand Singhal

Maturity of what?

Saket Kapoor

Maturity of loans. How much repayment is due this year?

Anand Singhal

In the current year, approximately INR 250 crore maturity including EPBG.

Saket Kapoor

And sir, when we look at the Ennature Biopharma numbers also, I think so, last time also when our head of biopharma spoke, he did allude to the fact that there is pressure in the nicotine market and all. So, sir going ahead what strategy are we making for the current year and how much utilization levels do we have and what changes are we making in product mix ? If you could just highlight how this segment is going to perform? I think we should have, yes.

Manish Pant

Saket, Manish this side. Saket, the numbers which you are seeing right now for this first quarter, we would expect it to remain same in the next quarter also. And there could be a spike in the Q3 onwards because now we have started for the value-added in this branded nutraceuticals. And our facilities are being

upgraded according to that. And shortly we are going to have US FDA and one CB audit over there to get the certifications done. After that we would be able to sell our branded nutraceuticals in the European and American markets. Other than that, there are other few major products like Thiocolchicoside is facing pressure but still we are maintaining the pole position in all of India by supplying the maximum Thiocolchicoside.

So, the margins certainly has gone down, but we are in absolute terms we are having that profit over there. In nicotine because of certain new facility came up the price are under pressure. But now this nicotine we are having certain major tie-ups with the local bodies who are into this making of international products in more prime format. So we are going to supply the pure nicotine to them, that will going to be added certain margin to our bottom line.

Saket Kapoor

Sir, just in understanding, how are you seeing that and given the current market conditions, how is the visibility as compared to last year? Because these are things which are dynamic also. But taking today's condition, how should we conclude? Because this is where the disappointment has been for the last year.

Manish Pant

So, are you talking about only nutraceuticals?

Saket Kapoor

Only Ennature Biopharma. Yes.

Manish Pant

The revenue would be more than whatever we have done in the last year. But certainly, the margins are under pressure, and it would remain under pressure. We are just waiting to see the Q3 performance, then if it then improves then there is a possibility that we would surpass the last year numbers, otherwise it will remain same, almost same.

Saket Kapoor

Right. Sir, I will join back the queue.

Rupark Sarswat

Saket, I was almost waiting for your question. You see, as I mentioned earlier, we are looking at two broad strategies in this space. One is, penetration of regulated markets through approvals, which is various

standards, US FDA et cetera as Manish mentioned and also getting into the branded nutraceutical space. As you would imagine, both of them are slightly time consuming so we expect some of these pressures will continue in the near term. But there is a strategy that we're working on, which we briefly explained to you.

Saket Kapoor

Rupark ji, if I may just add one more point. So that given the parameters and the base which we have built for the Q1, especially also the performance of the JV also, contribution has just doubled QoQ. So can we consider this as a base for this year, at least this would be a good showcase of what this year can translate because if we take all the variables into account, or can there will be a different picture, that may appear going there.

Rupark Sarswat

Sir, you know the company as you have been tracking the company and we have been discussing, we have been explaining, that we don't track or predict the numbers. We talk about macro trends as terms of what we are doing. Then we give that assessment and I think you are well-positioned to take an assessment. And my language has been consistent for the last 2 – 2.5 years. We believe that ethanol prices imported have come down a little bit. If we are lucky, we will see some more reduction in the months to come, which will impact the overall business, including the JV business in a good way.

We don't as of now, nobody can, especially in today's world, be an astrologer. But we believe that there are reasons to believe that the fundamentals of the business, which have led us to a healthy this quarter as well as last year, are not changing, and therefore, these trends would continue. There is nothing which has happened suddenly because of which we've got a windfall. I think it is based on the broad strategy for the business. There is an element of macroeconomic dynamic, which plays out sometimes, which we discussed with you. I don't see any major structural shifts happening there, which as of now look to me to be fully we have done.

Saket Kapoor

Okay sir. Thank you. I'll join back the queue.

Moderator

Thank you. Next question comes from Tushar Vasuja from Yogya Capital. Please go ahead.

Tushar Vasuja

Okay, sir. So, my first question is, what's your capacity for MEG and ethyl oxide? And what would be the utilization for FY24 and Q1 of this year?

Rupark Sarswat

See, our capacity in terms of MEG equivalent or ethane oxides are significantly higher than what we are producing right now. In fact, we have taken cost optimization actions to ramp down the plant that we are running to make sure that our costs are kept in control. So, from a growth perspective, that is not a concern at all. It's in the sense that IGL was a player in the MEG potential market where we were selling large volumes. The dynamics have changed, a lot of our business and profitability in MEG now comes from bio-based MEG. So, we don't have high-capacity utilization numbers. I don't have the precise numbers with me right now. If you write to us, we'll give it back. Our total capacity in terms of MEG equivalent, ethane oxide as well as MEG put together is about 600 tonnes per day.

Tushar Vasuja

Okay, sir. And sir, what's your capacity for producing nicotine and what's the utilization right now? And what can be the peak revenue potential for that capacity as per current prices?

Manish Pant

Tushar, I don't have the precise number right now. If you could send an email to me or the email ID whatever has been given in the presentation, then we would reply to you.

Tushar Vasuja

Okay, sir. So one more question. In your Investor Presentation, you mentioned that after the Kashipur expansion, your ethanol capacity will be 500 kilo liter per day and your biofuel capacity will be 590 kilo liter per day. So will you procure more ethanol domestically for producing biofuel or how that work? Can you please talk a bit about that?

S. K. Shukla

We have the in-house capacity to make ethanol, as mentioned in the capacity for the Kashipur. We don't go to buy ethanol locally. We have the in-house capacity.

Tushar Vasuja

Sir, biofuel, your ethanol would be only self-produced. Is that understanding correct?

Rupark Sarswat

There are two things we need to understand. When we talk about our total biofuels sales, we talk about total sales from two of our sites, Gorakhpur as well as Kashipur. I think there is some confusion there, so the two need to be added up. And just to clarify, no imported ethanol can be sold into biofuels, and we don't do that. It is not allowed in the country to take RS from imports and selling into biofuels.

Tushar Vasuja

Okay, sir. Okay. I have few more questions. I'll fall back in the queue for that.

Moderator

Thank you. Next question comes from Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri

Yes. So, sir, I just wanted to understand like from like our Q1 numbers are very good. So we hope to be able to sustain these numbers like and can the margins improve?

Rupark Sarswat

I've answered this question. As much as you would like to have a precise answer, and I would like to have a precise answer, and I would like to have a better answer. I explained this answer just before that the macro trends and what the business is doing strategically, we think is the right thing and right now things are moving in the right direction. I think to answer your question whether the numbers can improve? The answer is yes whether I can project that the numbers will be higher, I will restrain.

Darshil Jhaveri

Okay. Fair enough, sir.

Rupark Sarswat

Sorry for the disappointment.

Darshil Jhaveri

No worries about it, sir. And, sir, just one small clarification, sir. I think you were saying that with the new capacities around INR 150-200 crores revenue we could see for this year, right? So just like, it's for, for

what part were you saying that, sir? Like, our new total CapEx will come online in Q2 and Q3. Was it for that?

Rupark Sarswat

So see, what I mentioned was that there is something like INR 150 -200 crores of top line in this financial year that we are targeting to do based on new value added products, which is Specialty Chemicals, okay? Which is a different business compared to glycols or bio-based ethanol because the longer term strategy of the company is to also build a good value added sustainable, hopefully more profitable portfolio of businesses. And so that is one part of the CapEx. Our CapEx is in several areas. Our CapEx of Specialty Chemicals was lower, but our major CapEx has happened in grain-based expansion, or ethanol expansion. So that is what it was about. It was only the two Specialty Chemicals that I gave that number.

Darshil Jhaveri

Okay. Fair enough, sir. I just wanted to understand in terms of the ramp up for our grain-based plant, so what kind of utilization would we get in the start? Like what kind of extra revenue could we hope to achieve from those in the current year?

S.K. Shukla

As I told you that our capacity is proposed to be 50% additional on this year from the 1st of December. So accordingly, we hope our margin will be increased.

Darshil Jhaveri

Yes, but it would take some time to ramp up. Like what kind of utilization will we be able to hit in maybe the Q4 quarter like?

S.K. Shukla

Around, we can say, 80-85% capacity will be utilized.

Darshil Jhaveri

Okay, fair enough sir.

Rupark Sarswat

What happens here is that we are quite confident, and we base it on based on how we see the government is improving the blending. And we have kind of try to phase our capacity and what we do is, we kind of maybe it's not the right word, we apply for allocations, okay? And then we have allocations and we tie-in or tie-up or couple our expansion plan based on allocation. I also explained in the beginning, somebody asked me a question that allocations are there, but how much will happen. So, I said I cannot predict, but I have looked at the trend and the actual pickup has more or less been in line with allocation, a slight percentage below. And I expect broadly the trend to continue, and we are kind of mapping our capacities to follow the government's ramp up.

Darshil Jhaveri

Okay. Fair enough. So yes, that's it from my side. Thank you so much, sir.

Moderator

Thank you. Next question comes from Manish Sadanand, an individual investor. Please go ahead.

Manish Sadanand

Yes. So, the first question relates to the last conference call of the last Q4 FY24. We were expecting the margin in the country liquor space to improve on threefold factors. One, the increase in the supply rate of quarts, pints and nips, and second, increase in the volume, and third, the lowering of the packaging cost. But when we compare the EBIT with regards to the Q1 FY24 available and Q1 FY25, the margins have down slightly. So what factors have played out exerted pressure on those margins? And we are already in the first month of the Q2 and how are those factors playing in the current quarter.

S. K. Shukla

The county liquor margin, we have increased already our volume around 20% as compared to Q1 of the last year. So certainly, our overhead expenses reduced and the packaging prices, around dip of 10-11% as compared to last Q1. Since we have increased our capacity in both the plants, Kashipur and Gorakhpur, so relatively our margins in the Kashipur plant is little bit higher than the last Q1. So this is the reason as of now, the increasing the more profitability in the country liquor segment.

Manish Sadanand

So how are these sectors being playing in the Q2 and the first month? I mean, do you see any improvement in the margins going up?

S.K. Shukla

No, margin would remain same because both prices because mostly country liquor, all the raw material prices, basically feedstock prices is already fixed by the government. So, we don't think any negative impact in the Q2.

Manish Sadanand

Okay. And my second question is regarding the debt. I know I was going through the MCA website, and there were certain charges being created in the month of June and July. So to extent of INR 165 crores from Exim Bank and two other banks. So are these the fresh borrowings? Or are these the modification of the charges are taken over, the loan being taken over by the other banks? So what is the rationale behind it?

Anand Singhal

That is the fresh borrowing, Manish.

Manish Sadanand

Okay. So, and this fresh borrowing that we are utilizing it for the -- for what Capex are we utilizing that?

Anand Singhal

For running Capex as well as raising some funds for the working capital requirement.

Manish Sadanand

Okay. So our net debt as on date stands at what figure? And we were to get some money from Clariant, have we got that? And what is the delay? And when do we look forward to receive that and reduce our debt?

Anand Singhal

Our debt is around INR 1,000 crores right now. Regarding the money, which is to be received from Clariant, that is still outstanding and that will come by 31st March 2025.

Manish Sadanand

So, this INR 1,000 crores that you mentioned includes the fresh borrowings of the working capital and that is being reflected in the MCA website.

Anand Singhal

The amounts is debt as on date. That's what I'm saying. It means that already includes the debt that we have already taken.

Moderator

Thank you. There are no further questions. Now, I hand over the floor to management for closing comments.

Rupark Sarswat

Yes. Thank you very much for your time, and as usual, good probing questions. It's good to be here with you all after a decent or rather good quarterly performance. And we hope as much as you hope that we'll have a positive trend continuing for the business. We are here to make sure that we have the right strategy, we execute it well. And hopefully, with your good wishes continued, we'll continue to support our shareholders. Thank you very much on my behalf as well as my colleagues here, who have been here on the call.

Moderator

Thank you, sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now.

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